

6/8/77

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THE PRESIDENT'S SCHEDULE

Wednesday - June 8, 1977

- 7:45 Dr. Zbigniew Brzezinski - The Oval Office.
- ✓ 8:15 Meeting with Senators Robert Byrd and Abraham
(10 min.) Ribicoff et al. (Mr. Frank Moore) - Cabinet Room.
- ✓ 8:30 Meeting with Congressional Group/Foreign Policy
(90 min.) Briefing. (Mr. Frank Moore) State Dining Room.
Listing of Participants
- 10:30 Mr. Jody Powell - The Oval Office.
- ✓ 10:50 Postmaster General Benjamin Bailar.
(10 min.) (Mr. Stuart Eizenstat) - The Oval Office.
- 11:00 Meeting with Senator Claiborne Pell and
(20 min.) Congressman John Brademas. (Mr. Barry Jagoda).
The Oval Office.
- ✓ 12:00 Robbyn Foxx, Emporia, Kansas - Cystic Fibrosis
(5 min.) Child. (Ms. Midge Costanza) - The Oval Office.
- 12:15 Lunch with Mr. Bert Lance - The Oval Office.
- 1:00 Mr. Paul Austin. (Dr. Zbigniew Brzezinski).
(15 min.) The Oval Office.
- ✓ 1:30 Meeting with the Intelligence Oversight Board.
(30 min.) (Mr. Robert Lipshutz) - The Oval Office.
- ✓ 2:00 Budget Review Meeting. (Mr. Bert Lance).
(2 hrs.) The Cabinet Room.

THE WHITE HOUSE.
WASHINGTON

June 8, 1977

Frank Moore -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Mayor Beame & Clean Air Bill

THE WHITE HOUSE
WASHINGTON

ACTION	FYI		
		MONDALE	<input type="checkbox"/> ENROLLED BILL
		COSTANZA	<input type="checkbox"/> AGENCY REPORT
		EIZENSTAT	<input type="checkbox"/> CAB DECISION
		JORDAN	<input type="checkbox"/> EXECUTIVE ORDER
		LIPSHUTZ	Comments due to
	<input checked="" type="checkbox"/>	MOORE	Carp/Huron within
		POWELL	48 hours; due to
		WATSON	Staff Secretary
			next day

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	GAMMILL
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HOYT
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	KING

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LANCE
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	B. RAINWATER
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	SCHULTZE
<input type="checkbox"/>	SIEGEL
<input type="checkbox"/>	SMITH
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	WELLS
<input type="checkbox"/>	VOORDE

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

June 7, 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *fm*

SUBJECT:

MAYOR ABRAHAM BEAME/CONGRESSMAN JOHN
MURPHY (NY)

Mayor Beame called Congressman Murphy and helped convince him to vote with us on the Clean Air bill in committee. We have now asked him to call Congressman Murphy, who is the deciding vote against Congressman Robert Krueger's deregulation amendment in the Energy and Power Subcommittee. *Along with Mary Russo*

Mayor Beame's only request was to make sure that you knew that he had cooperated with us.

ok
J

**Electrostatic Copy Made
for Preservation Purposes**

8:15 AM
C

THE WHITE HOUSE

WASHINGTON

MEETING WITH CONGRESSIONAL LEADERS

RE CONSUMER AGENCY BILL

Wednesday, June 8, 1977

8:15 a.m. (10 minutes)

Cabinet Room

From: Frank Moore *F.M.*

I. PURPOSE

To convince Senator Byrd and Senator Ribicoff to schedule the Consumer Agency bill for Senate floor action before the House acts.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The Consumer Agency bill is in serious trouble in the House because of intense business lobbying. The picture is more favorable in the Senate where the bill (S.1262) easily cleared the Government Affairs Committee May 16. However, Senator Ribicoff and Senator Byrd have been very reluctant to take the bill to the Senate floor until the House acts. Senator Byrd believes the Senate could be tied up for weeks breaking a filibuster, to the detriment of other, more important legislation.

B. Participants: The President
The Vice President
Senator Byrd
Senator Ribicoff
Speaker O'Neill
Congressman Brooks
Frank Moore
Bob Thomson

C. Press Plan: White House Photo Only.

III. TALKING POINTS

A. Senator Ribicoff and Senator Byrd will insist the House move first. Their reasoning will be that carrying the bill to the Senate floor will be a delaying factor for other legislation and useless

exercise if it cannot clear the House. This ignores the impact successful Senate floor action will have on the House undecideds and leaners. Admittedly, we have some work to do in the House, but the job will be easier if support for the Agency has been demonstrated by the Senate.

- B. Senator Byrd may question whether the Administration has 60 votes for cloture. The latest Senate counts, compiled and confirmed by Senate Committee staff and Mrs. Peterson's office, are as follows:

Yes	52	No	30
Leaning Yes	<u>11</u>	Leaning No	<u>6</u>
	63		36

Unknown 1

This count is based on support for the bill, not support for cloture. Consequently, we may be able to pick up several "yes" votes for cloture among those leaning against or against the bill. On the other hand, a count this far in advance of a controversial vote is, admittedly, tentative.

- C. Without affirmative Senate action, the Administration will be in a difficult bargaining position in the House. Opponents in the House desire deletion of Agency authority to issue interrogatories and seek judicial review when the Agency is not a party in the proceeding. It now appears there must be some compromise on these points in order for the bill to clear the House, but losses could be minimized if the Senate passes a strong bill first.
- D. Senator Ribicoff is no doubt aware of the well-publicized meeting with consumer agency supporters that you attended on June 1. If the bill is scheduled soon, the momentum and publicity from that meeting could have significant impact.
- E. Business Lobbyists have been concentrating their efforts on the House. The idea is to shift our efforts quickly to the Senate

and achieve favorable floor action before the Chamber of Commerce and N.A.M. letter-writing campaigns can get underway in that body.

F. This is the fifth time a consumer agency bill has been before the Senate. Last Congress, when the Senate dealt with the bill first, it was passed after five days of debate. On previous occasions when the Senate went second, the bill took two weeks, and on one occasion, two months, to pass.

G. Latest counts on the bill in the House are as follows:

Yes	160	No	189
Leaning Yes	24	Leaning No	29
	<u>184</u>		<u>218</u>
Undecided 33			

THE WHITE HOUSE

WASHINGTON

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Undecided 33			

THE WHITE HOUSE
WASHINGTON

June 8, 1977

Barry Jagoda

**The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.**

Rick Hutcheson

Re: Cultural Endowments

THE WHITE HOUSE
WASHINGTON

ACTION
FYI

	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

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	FOR INFORMATION
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	IMMEDIATE TURNAROUND

	ARAGON
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	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
X	JAGODA
	KING

	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

June 7, 1977

B-
J

MEMORANDUM FOR THE PRESIDENT

FROM:

BARRY JAGODA *Barry*

SUBJECT:

Cultural Endowments

The matter of Joe Duffey

We have a good candidate for the NEH job, finally. Joe Duffey, your long-time supporter and highest ranking Carter appointee to a cultural position, has a fairly serious problem. You will be receiving, soon, a recommendation from Secretary Vance that Duffey's bureau (he is Assistant Secretary of State for Educational and Cultural Affairs) be merged out of State into USIA. (Generally all those in your Administration concerned about the issue agree with Vance's recommendation, including Duffey.) But Duffey will then become a subordinate to the head of USIA and that is not a very good job. Duffey would take NEH, but I think he would be a superb head of a combined NEA/NEH. (Jordan and Eizenstat think this is a terrific idea.) (Joan Mondale could continue to have her high visibility role in the arts and Duffey, with a Ph.D. and respect from the academics, could run the agency and keep the humanists from being jealous.)

Merger of NEH and NEA

When you realized that we had not found a person to head the Humanities Endowment it occurred to you that one possible solution to helping this institution find a broad constituency would be to merge it with the highly successful Arts Endowment.

I am still testing the waters on this idea but it is accepted by a surprisingly diverse sample of the arts and humanities constituency. There is no disagreement from knowledgeable parties that a combined endowment would be cost-efficient and would be considerably more manageable. The merger would facilitate greater coordination of all cultural activities and would lead to a reduced duplication in areas such as museum support, media activities, university relations, and certainly in administrative support.

The more I think about this merger idea the better it seems. Not only would it make good management sense but it would be a clear demonstration of how intelligent combination can significantly reduce government bureaucracy.

Pell and Brademas are likely to initially oppose this idea citing several concerns:

- 1 -- single powerful appointee would be "cultural czar"
2 -- fear that the merger would symbolize a reduced commitment
to either the arts or (more likely) the humanities
3 -- Pell's interest in having the counsel of his cultural
committee appointed to head the Arts Endowment. (His guy
is less dynamic than Blitzer and you don't want him.)
4 -- Their pride in having created the structure which now
exists.
5 -- A psychological fear of "efficiency" in the cultural area.

I think we could get Congress to go along with this plan if you made it plain that you consider this an effort to enrich the cultural institutions and if we deal with Pell's concern about his committee counsel.

However, if this merger idea is strongly opposed by Pell and Brademas we could fall-back to moving Duffey into the NEH and make him head of the Foundation which overlaps NEH and NEA--and has no authority. Sort of a compromise which would give the two institutions more coherence but allow both to have some sort of separate identity.

We are set to meet with Pell and Brademas on Wednesday, June 8 at 11:00 am. Eizenstat wants to join the session. Stu and I think it would be a good idea to meet for five minutes ~~today~~, *with you* ~~Tuesday~~, to review the plan for the Brademas/Pell meeting.

APPROVE ☒ NO, NOT NECESSARY ☐

#

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MR. PRESIDENT-

I HAVE BEEN UNIMPRESSED WITH THE PEOPLE RECOMMENDED TO YOU FOR THE NATIONAL ENDOWMENT FOR THE HUMANITIES.

IF YOU MERGED THE TWO ENDOWMENTS, JOE DUFFEY WOULD BE AN EXCITING CHOICE. I DON'T KNOW OF AN ACADEMIC ANYWHERE WHO IS MORE WIDELY RESPECTED THAN JOE DUFFEY.

ASK EISENSTAT, STRAUSS, JUDY, FRANK MOORE OR ANYONE ELSE THAT KNOW HIM - THEY'LL TELL YOU JOE IS TERRIFIC.

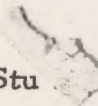
IT WOULD BE A WASTE TO HAVE HIM ONLY AT THE HUMANITIES ENDOWMENT - THE BEST USE OF HIM WOULD BE IF THEY ARE COMBINED.

DUFFEY ASIDE, I HOPE THE EDUCATIONAL, CULTURAL + EXCHANGE FUNCTIONS AT STATE ARE NOT BEING SCUTTLED OR GIVEN A LOW PRIORITY. MUCH CAN BE DONE IN THIS AREA.

N.J.

THE WHITE HOUSE.
WASHINGTON

June 8, 1977

Stu  enstat -

**The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.**

Rick Hutcheson

Re: Postal Service

THE WHITE HOUSE
WASHINGTON

ACTION	FYI
	MONDALE
	COSTANZA
X	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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	HUTCHESON
	JAGODA
	KING

	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE



NATIONAL LEAGUE OF POSTMASTERS OF THE UNITED STATES

Crystal Square #4 • 1745 Jefferson Davis Highway • Suite 501 • Arlington, Virginia 22202

Mailing Address — P.O. Box 2074, Arlington, Va. 22202 • Telephone — (703) 892-2940

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President
Baldwin, GA 30511
(404) 778-2751

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Executive Vice President
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Secretary-Treasurer
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(206) 652-8364

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Vice President
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Vice President
Alicia, AR 72410
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(602) 966-9313

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Immediate Past President
Powell, TN 37849
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ALLEN T. LANIER
Editor
Guyton, GA 31312
(912) 772-3235

HAZEL M. BERIK
Office Manager
Box 23653, Wash, DC 20024
(202) 488-8292

THE PRESIDENT HAS SEEN

June 7, 1977

The President
The White House
Washington, D.C. 20500

*For
Comment
J*

Dear Mr. President:

I wish to express my sincere appreciation for taking your valuable time to see me, as a representative of the National League of Postmasters of the United States. We represent Postmasters in 20,000 communities across these United States. The majority of our membership consists of Postmasters from smaller offices in the rural areas of our country.

I am certain you are aware, the United States Postal Service has many ills. It is our opinion that major surgery is required in order to once again, establish a postal service the American People are entitled to receive.

When the new Postal Service was established in 1970, as a quasi-government corporation, top management personnel were brought in from the outside to "improve the service and reduce the costs". The record clearly indicates the opposite has been true. Today, we face not only the increasing curtailment of service, but increased costs as well. The philosophy of management from the private sector of reaching a break-even point, in what is truly a service organization, can never be accomplished. A major reason being, the cost of providing Rural Free Delivery Service and City Delivery Service to the American public, prohibits breaking even, without increasing the price of postage to the point where only the affluent could afford it. Many decisions rendered in the last seven long years, without proper guidance from experienced postal people, have caused only greater deficits within the Postal Service.

Under the present concept, the Postmaster General (PMG) is accountable only to a Board of Governors -- who are experts within their respective fields of business, but have little or no knowledge of the Postal Service. The Board of Governors has become a rubber stamp, accepting whatever facts and figures the PMG chooses to place before it. The Postal Service presently receives large subsidies from Congress with absolutely no strings attached.

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The President

June 7, 1977

Page Two

We sincerely believe, the time has come when the PMG must be brought back under the direction of the Administration. The Administration is required to provide subsidies necessary to the Postal Service, yet, the PMG is not accountable for these funds. We are of the opinion that the PMG should be appointed by the President of the United States and confirmed by the Senate, thereby making him accountable to someone for his actions, or inaction. We believe the Board of Governors should be abolished, thereby eliminating an expenditure of \$125,000, annually.

We would welcome the opportunity to meet with your liaison and Mr. Burt Lance, of the Office of Management and Budget, to present further our ideas and suggestions regarding the personnel structure of top management at Postal Headquarters. At the present time, we have four layers of top management while only two are really necessary. Postal Service Headquarters in Washington, D.C. is extremely top heavy in highly paid personnel. This alone is causing much of the deficit we face in our Postal Service, today. To follow your example with the Executive Branch of the Government, we feel a streamlining of the Postal Service should take place. It has been the policy of the Postal Service, in the last seven years, to completely strip rural America of their postal people and facilities while, at the same time, adding high-paid positions in Postal Headquarters.

For too long, the philosophy of the Postal Service has been to close Post Offices in rural America to "save money" instead of taking corrective measures to mandate the large mailers of this country to prepare their mailings in accordance with regulations and to entitle them to receive a discount rate. A study conducted in the Oklahoma District has demonstrated that we are losing approximately one-half billion dollars per year due to negligence on the part of Second and Third Class mailers. Being from rural America yourself, you are aware of the necessity for maintaining adequate Postal Service to small communities. People from rural America are entitled to the same service as those in metropolitan areas.

The present top management of the Postal Service has permitted themselves to be pressured into high cost labor negotiations, thereby creating an annual budget of which 86% represents compensation for its employees. There must be some guidelines and direction given by the Administration, with the necessary support, to keep the labor unions in check -- otherwise, we will find ourselves priced out of the market. If the present top management of the Postal Service is permitted to continue to dismantle the Postal Service, as they plan, we will see the private express statute repealed. This will give private companies the

The President
June 7, 1977
Page Three

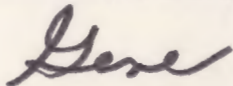
'cream of the crop' as far as mail delivery in metropolitan areas is concerned, leaving the Postal Service with only mail service in the rural areas. This will result in even larger subsidies from the Congress.

It is our firm belief, that the present management of USPS fully intends to destroy the basic concepts of the Postal Service. Mr. Bailar, the present Postmaster General - the third in seven years - is not presently accountable to the American Public or their President. Only through legislation, such as HR 19, can the PMG be held accountable. While we do not contend that HR 19 is a perfect bill, it is the best that we have seen offered thus far. We respectfully request your Administration come forth with legislation that would better serve the American public, or offer your support to HR 19. We do not feel the entire concept of the Postal Reorganization Act should be destroyed, as there are many good features in this Act. We do feel, however, that there is a need for a general overhaul. Prior to this, I have provided your study committee with recommendations, which I hope will receive your careful consideration.

Based on past performance of the present Postmaster General and the steadily worsening condition of our nation's postal system, we have no alternative but to request your consideration in asking Mr. Bailar for his resignation.

As president of the National League of Postmasters, Postmaster of Baldwin, Georgia and as a personal friend and supporter, I pledge to you our support and make available to you the knowledge and experience possessed within our membership to once again, create a postal service of which we can all be proud, one that serves our citizens. On behalf of the National League of Postmasters let me express to you our sincere thanks and appreciation for extending to us your valuable time.

Sincerely yours,



Eugene B. Dalton
President, NLP

EBD:nmw

THE WHITE HOUSE
WASHINGTON

June 8, 1977

Hamilton Jordan -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Philips Hamilton

THE WHITE HOUSE
WASHINGTON

ACTION	FYI
	MONDALE
	COSTANZA
	EIZENSTAT
X	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
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	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE

a) out of Guard → full Col.

b) out of law school
needs job =

THE WHITE HOUSE
WASHINGTON

Ham
J

6/7/77

3: 55 p.m.

Mr. President --

Philips Hamilton called
and wanted you to call him
back. He said it was
personal.

-- SSC

(912) 233-5576 (home)
(912) 233-0276 (work)
(912) 234-3481 (lawyer's office)

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THE WHITE HOUSE
WASHINGTON

June 8, 1977

Frank Press

**The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.**

Rick Hutcheson

cc: Z. Brzezinski
Chip Carter
Peter Bourne
Stu Eizenstat

Re: World Hunger

THE WHITE HOUSE
WASHINGTON

ACTION	FYI		
		MONDALE	ENROLLED BILL
		COSTANZA	AGENCY REPORT
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	ARAGON		KRAFT
X	BOURNE		LANCE
X	BRZEZINSKI		LINDER
	BUTLER		MITCHELL
	CARP		POSTON
	H. CARTER	X	PRESS
	CLOUGH		B. RAINWATER
	FALLOWS		SCHLESINGER
	FIRST LADY		SCHNEIDERS
	GAMMILL		SCHULTZE
	HARDEN		SIEGEL
	HOYT		SMITH
	HUTCHESON		STRAUSS
	JAGODA		WELLS
	KING		VOORDE

THE WHITE HOUSE
WASHINGTON

Mr. President:

Copies have been sent to those persons (Brzezinski, Eizenstat, Bourne, Chip) whom you indicated you wished to do some work in this area.

Rick

THE PRESIDENT HAS SEEN.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20500

June 7, 1977

*Frank -
Join 369 - 5th -
Chip, Bourne
& work together
J*

MEMORANDUM TO THE PRESIDENT
FROM: Frank Press *FP*
SUBJECT: World Hunger Problem

In December 1974, President Ford commissioned a major study by the National Academy of Sciences on World Food and Nutrition, which will be issued on June 20.

In view of its Presidential origins and in light of your comments yesterday at the Cabinet meeting about world food needs, I am bringing it to your attention. This Study describes the potential for new research initiatives to increase world food production, especially in the less developed countries. Examples of the research initiatives are:

- . New genetic strains and other manipulations of breeding and farming practices to enhance resistance to pests, weather aberrations, and chemical variations in soils

- . Increasing biological nitrogen fixation associated with leguminous plants and devising similar biological nitrogen fixation for cereal grains, to reduce dependence on chemical fertilizer

- . Land management, e.g., use of ruminant livestock as foragers on uncultivable range land and on crop residues to capture one of the world's largest wastes in food production

- . Soil management practices to permit production on acidic tropical soils

- . Reduction in post-harvest losses, which reach 50% in some countries due to lack of food preservation, storage, or protection from pests and rodents

The Chinese have used some of these and other methods to progress from famine to self-sufficiency in food production in 25 years.

This kind of research and technology transfer could form the basis of a new thrust in our bid to developing countries.

Do you wish a group from the NAS to present their findings to you prior to briefing Congress?

I will arrange for briefing EOP staff and Cabinet officers.

THE WHITE HOUSE
WASHINGTON

June 7, 1977

Chip Carter
Zbigniew Brzezinski
Peter Bourne
Stu Eizenstat

The attached is forwarded to you
for your information.

Rick Hutcheson

Re: World Hunger Problem.

THE WHITE HOUSE

WASHINGTON

June 8, 1977

Secretary Blumenthal -

Re: Financial Institutions Reform

The attached was returned in the President's outbox and is forwarded to you for your information and appropriate action.

Rick Hutcheson

cc: Stu Eizenstat
Frank Moore
Jack Watson
Charlie Schultze
Ernie Preeg

THE WHITE HOUSE
WASHINGTON

cc Blumenthal
Ernie Pless

ACTION
FYI

<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input checked="" type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	GAMMILL
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HOYT
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	KING

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LANCE
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	B. RAINWATER
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input checked="" type="checkbox"/>	SCHULTZE
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<input type="checkbox"/>	STRAUSS
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<input type="checkbox"/>	VOORDE



THE PRESIDENT HAS SEEN.

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

"ACTION"

June 7, 1977

Q

✓

MEMORANDUM FOR THE PRESIDENT

FROM: W. MICHAEL BLUMENTHAL ^{WMB}
CHAIRMAN, ECONOMIC POLICY GROUP

SUBJECT: FINANCIAL INSTITUTIONS REFORM

SUMMARY

This memo asks your approval for certain reforms in regulation of financial institutions. Congress will hold hearings on this subject on June 20.

The objectives of financial institution reform are to increase competition in the industry and to gradually eliminate federal ceilings on deposit interest rates. However, in view of long-standing strong opposition to omnibus reform, the EPG proposes that we approach this matter selectively. If you agree to the selective approach, we recommend introducing 1977 legislation with the following 3 key elements:

1. Permit creation of a new type of interest-earning household checking account. Such accounts have been introduced in a few States and increase the efficiency of the financial system.

APPROVE ✓ DISAPPROVE

2. Authorize the Fed to pay interest on reserves, which its members must maintain, in order to stem the growing number of smaller banks withdrawing from the Fed system. The effect of

**Electrostatic Copy Made
for Preservation Purposes**



THE PRESIDENT HAS SEEN.

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

"ACTION"

**Electrostatic Copy Made
for Preservation Purposes** June 7, 1977

Q
✓

MEMORANDUM FOR THE PRESIDENT

FROM: W. MICHAEL BLUMENTHAL ^{WMB}
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SUBJECT: FINANCIAL INSTITUTIONS REFORM

SUMMARY

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APPROVE ✓ DISAPPROVE

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for Preservation Purposes**

- 2 -

interest payments on household checking accounts may accelerate the membership drain. Fed payments on its member bank reserves, however, should not exceed \$150-250 million of annual budget cost.

APPROVE _____ DISAPPROVE _____

3. Seek an extension until December, 1979, of interest rate ceilings on savings deposits (Regulation Q), which are intended to protect savings flows for housing finance. In the interim, we will develop proposals for an improved housing finance alternative.

*Study
phasing
out*

APPROVE _____ DISAPPROVE _____

Other areas that will be studied further during 1977 are more diversified lending powers for savings institutions, credit discrimination against low-income urban residents ("red-lining"), the impact of Electronic Funds Transfer on the banking system, and possible regulation of U.S. bank lending to developing countries.

The following elaborates these proposals in detail.

Broad Policy Goals

We recommend that the Administration endorse the two principles of (1) a reduction in the barriers to competition among our financial institutions and (2) the gradual elimination of Federal ceilings on deposit interest rates. Most federal regulations governing depository institutions originated in the 1930's to protect depositors and the soundness of financial institutions. Promoting competition was considered a lesser priority. In the intervening years, there have been numerous efforts to modernize these regulations, but most have failed.

Today, inefficiencies exist in our financial system as a result of artificial barriers to competition and outmoded regulations. Besides being costly to consumers, these barriers have also led to an increasing number of banks giving up their membership in the Federal Reserve System. This in turn has made the conduct of monetary policy by the Federal Reserve Board more difficult and over time may pose real hazards.

1977 Strategy for Financial Institutions Reform

The previous Administration twice attempted, first in 1973 and then in 1975, to correct these weaknesses by introducing omnibus reform legislation. These bills proposed simultaneous reform in three major areas:

1. allowing institutions to pay interest on a new type of checking account; *sk*
2. phasing out interest rate ceilings on savings deposits; and *ok*
3. providing more diversified lending powers for savings institutions. *ok*

The complexity of these two bills resulted in their defeat. Several financial industry groups opposed these, particularly the savings/housing interests which feared any change in mortgage lending patterns.

Today, virtually no one favors another omnibus reform effort. Its prospects of passage would appear non-existent. The opposite interests of the groups affected, and the difficulty of mobilizing effective support from the major beneficiaries -- consumer/savers-- argue for a much more selective approach.

We propose that the Administration forego omnibus reform, and instead approach it selectively.

Three Key Elements of Proposed 1977 Legislation

1. Permit creation of a new type of interest-earning household checking account.

We recommend that the Administration address only one of the three key controversial issues this year -- interest on household checking accounts. Legislation in other, major areas can be introduced next year, or in 1979, if this year's effort succeeds.

The specific proposal would permit all depository institutions to offer a new type of interest earning account on which checks can be drawn. Such accounts -- now offered in New England -- generally are called NOW (Negotiable Order of Withdrawal) accounts. They would be offered to household customers under a uniform interest rate set by Federal regulators. The Federal

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for Preservation Purposes**

- 4 -

Reserve will set uniform reserve requirements on these new accounts at all institutions. The Federal Reserve favors this and the Senate Banking leadership also supports the concept.

There are two reasons to support this proposal. First, the legal ban against paying interest on checking accounts has eroded through innovation and eventually will erode completely. Federal legislation would permit a more orderly transition.

Second, NOW accounts will increase the efficiency of our financial system. Currently, checking account holders receive an implicit return via free or below cost services on their accounts. Allowing an explicit interest return would give consumers the option of receiving payment in monetary rather than service form. It also will encourage depository institutions to price services closer to costs.

Smaller commercial banks will oppose this proposal, because paying interest on checking balances will lower their earnings, but savings banks and savings and loans will support it. Large banks, generally facing more competition, already are providing sufficiently large implicit returns that their earnings will be less affected. To minimize this bank earnings problem, NOW accounts would be limited to households and would carry a low interest rate.

Proposal: That the Administration introduce legislation permitting nationwide NOW accounts. +12

2. Authorize the Fed to pay interest on reserves to reduce the outflow of banks from the Federal Reserve System.

We further recommend that this legislation include authorization for the Federal Reserve to pay interest on the reserves which its members must maintain. The Fed imposes legal reserve requirements against deposit liabilities of its member banks. It determines specific reserve levels in relation to monetary policy needs.

Today, these member bank reserves must be held at the Fed in non-earning form. In contrast, non-member banks generally are permitted by their regulators to hold smaller amounts of reserves and to invest them in

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for Preservation Purposes**

- 5 -

earning assets. This regulatory disparity means that it is costly for banks to remain members of the Fed System. For this reason, medium-sized and smaller banks recently have been withdrawing from membership at a growing rate. As a result, Fed earnings may be weakened.

Chairman Burns is concerned that this loss of membership will weaken the soundness of our banking system and the Fed's ability to conduct monetary policy. Moreover, the negative bank earnings effects of introducing NOW accounts may accelerate the membership loss. Burns has proposed that the Fed be authorized to pay interest on member bank reserves to lessen this cost burden of membership.

We recognize his concern and support this proposal, provided that the net reduction in Fed earnings is moderate. (These earnings are paid to Treasury.) The Fed originally proposed high cost interest payment plans, and Treasury is still negotiating, but will not recommend to OMB a plan costing more than \$150 to \$250 million in Fiscal 1978. We believe something in the order of this amount would be lost in revenue through membership attrition if the present rate of loss in membership continues.

Opposition to this Fed proposal will reflect concern that large banks do not need this additional revenue, and that it should be primarily targeted to small banks. Indeed, Congress may require such targeting.

Proposal: That this legislation include authorization for the Federal Reserve to pay interest on its member bank reserves, not to exceed \$150-250 million of budget cost. -K

3. Seek a two-year extension of interest rate ceilings on time deposits.

We recommend that this legislation also include a two-year extension of interest rate ceilings on savings deposits (Regulation Q) through December 1979. Regulation Q attempts to protect the flow of savings into savings institutions and, in turn, to ensure continued mortgage

- 6 -

lending by those institutions. Regulation Q ceilings are counterproductive -- they actually weaken savings flows and mortgage lending. Nevertheless, the savings/housing interests fear that eliminating the ceilings would weaken them even further. It is unrealistic, therefore, to seek their elimination without a sound housing finance alternative. A two-year extension should provide adequate time to prepare one.

Opposition to a two-year extension of Regulation Q will come from the savings industry which would prefer a longer extension. It also will come from certain commercial banks who, while supportive of the ceilings, want to eliminate the differential which now permits thrifts to pay higher interest rates on savings accounts than banks pay.

Proposal: An extension of interest rate control authority on savings accounts (Regulation Q) until December 1979. Over these two years, a special inter-agency group (HUD, Treasury and the financial regulators) will try to develop an alternative.

*I have no interest
in Reg Q - but
do not oppose this
extension*

Areas for Further Study in 1977

We recommend that the Administration undertake a major study of "redlining" -- credit discrimination against low income, inner city residents by lending institutions. Recent State-level studies have highlighted this problem and Congress will hold related hearings this year. We believe that it needs objective study, and the Urban and Regional Policy Task Force intends to undertake it.

In addition, Treasury will undertake studies and propose policies as required later this year in the following areas:

1. Electronic Funds Transfer and its impact on the banking system.
2. Regulation of U.S. bank lending to LDC's.
3. Limited expansion of lending powers for federal savings and loans.

AK

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Summary of Eizenstat comments on Blumenthal Memorandum,
"Financial Institutions Reform"

1. Eizenstat concurs with EPG recommendations for legisla-
tion this year, but believes that "a broader financial
reform package should be introduced in 1978 or 1979."

Stu also proposes that Treasury, OMB, and Domestic
Council prepare a short Presidential message outlining
the benefits of NOW accounts,

_____approve _____disapprove

2. Eizenstat, with the concurrence of OMB and CEA, also
recommends that you authorize "an interagency study of
financial institutional reform to be chaired jointly by
the Treasury Department and the regulatory reform working
group, which would also include HUD and the banking
regulatory agencies." The group would study:

- phasing out of Regulation Q
- expanding the investment and depository power of thrifts
- developing alternate mortgage instruments
- electronic fund transfers and branching regulations
- review preferential tax treatment of thrifts
- regulation of US bank lending to LDCs and activities
of foreign banks in the US
- review the banking regulatory structure

_____approve _____disapprove

--Rick

THE WHITE HOUSE
WASHINGTON

6x8
12 noon Mon

Date: June 1, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat - attached

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: W. Michael Blumenthal memo 5/27 re Financial
Institutions Reform.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: IMMEDIATE TURNAROUND

DAY:

DATE:

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

This is the revised version of
Blumenthal's memo.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required

old
version

THE WHITE HOUSE
WASHINGTON

6/8/77

Ernie Preeg is
summarizing Blumenthal
memo

Held for 1 day



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

ACTION

May 27, 1977
1977 MAY 27 PM 6 12

MEMORANDUM FOR THE PRESIDENT

FROM: W. Michael Blumenthal
Chairman, Economic Policy Group

Mike B.

SUBJECT: Financial Institutions Reform

Executive Summary

This memorandum sets forth Treasury's recommendations for various reforms of the regulatory regime governing the nation's financial institutions. These recommendations were also presented for information purposes to the EPG. Congress will hold hearings on this subject on June 20.

In brief, the memorandum asks your approval of the following new policies:

1. That the Administration endorse two principles of reform: a) a reduction in barriers to competition among financial institutions, and b) gradual elimination of Federal ceilings on deposit interest rates.
2. That the Administration this year propose selective measures, rather than an omnibus bill, to begin progress toward these reform principles.
3. That the Administration immediately introduce legislation permitting, nationwide, the creation of a new type of interest earning household checking account.
4. That this legislation also authorize the Federal Reserve to pay interest on the reserves which its members must maintain.
5. That the Administration seek extension until December, 1979 of "Regulation Q" authority for controlling the interest rate paid on savings accounts.

Treasury developed this series of proposed 1977 policies for the Administration in the area of "financial institutions reform." Congress will hold hearings on this subject on June 20.

I. Broad Policy Goals

We recommend that the Administration endorse the two principles of (1) a reduction in the barriers to competition among our financial institutions and (2) the gradual elimination of Federal ceilings on deposit interest rates. Most federal regulation governing depository institutions originated in the 1930's to protect depositors and the soundness of financial institutions. Promoting competition was considered a lesser priority. In the intervening years, there have been numerous efforts to modernize these regulations, but most have failed.

Today, inefficiencies exist in our financial system as a result of artificial barriers to competition and outmoded regulations. Besides being costly to consumers, these barriers have also led to an increasing number of banks giving up their membership in the Federal Reserve System. This in turn has made the conduct of monetary policy by the Federal Reserve Board more difficult and over time may pose real hazards.

II. 1977 Strategy for Financial Institutions Reform

The previous Administration twice attempted, first in 1973 and then in 1975, to correct these weaknesses by introducing omnibus reform legislation. These bills proposed simultaneous reform in three major areas:

- (1) allowing institutions to pay interest on a new type of checking account;
- (2) phasing out interest rate ceilings on savings deposits; and
- (3) providing more diversified lending powers for savings institutions.

The complexity of these two bills resulted in their defeat. Several financial industry groups opposed these, particularly the savings/housing interests which feared any change in mortgage lending patterns.

Today, virtually no one favors another omnibus reform effort. Its prospects of passage would appear non-existent. The opposite interests of the groups affected, and the difficulty of mobilizing effective support from the major beneficiaries -- consumer/savers -- argue for a much more selective approach.

Proposal: That the Administration forego omnibus reform, and instead approach it selectively.

Approve: _____

Disapprove: _____

Comment: _____

III. Proposed 1977 Legislation

A. Creating a New Type of Interest Earning Household Checking Account

We recommend that the Administration address only one of the three key controversial issues this year -- interest on household checking accounts. Legislation in other, major areas can be introduced next year, or in 1979, if this year's effort succeeds.

The specific proposal would permit all depository institutions to offer a new type of interest earning account on which checks can be drawn. Such accounts -- now offered in New England -- generally are called NOW accounts. They would be offered to household customers under a uniform interest rate set by federal regulators. The Federal Reserve will set uniform reserve requirements on these new accounts at all institutions. The Federal Reserve favors this and the Senate Banking leadership also supports the concept.

There are two reasons to support this proposal. First, the legal ban against paying interest on checking accounts has eroded through innovation and eventually will erode completely. Federal legislation would permit a more orderly transition.

Second, NOW accounts will increase the efficiency of our financial system. Currently, checking account holders receive an implicit return via free or below cost services on their accounts. Allowing an explicit interest return would give consumers the option of receiving payment in monetary rather than service form. It also will encourage depository institutions to price services closer to costs.

Smaller commercial banks will oppose this proposal, because paying interest on checking balances will lower their earnings, but savings banks and savings and loans will support it. Larger banks, generally facing more competition, already are providing sufficiently large implicit returns that their earnings will be less affected. To minimize this bank earnings problem, NOW accounts would be limited to households and would carry a low interest rate.

Proposal: That the Administration introduce legislation permitting nationwide NOW accounts.

Approve: _____

Disapprove: _____

Comment: _____

B. Reducing the Outflow of Banks from the Federal Reserve System

We further recommend that this legislation include authorization for the Federal Reserve to pay interest on the reserves which its members must maintain. The Fed imposes legal reserve requirements against deposit liabilities of its member banks. It determines specific reserve levels in relation to monetary policy needs.

Today, these member bank reserves must be held at the Fed in non-earning form. In contrast, non-member banks generally are permitted by their regulators to hold smaller amounts of reserves and to invest them in earning assets. This regulatory disparity means that it is costly for banks to remain members of the Fed System. For this reason,

medium-sized and smaller banks recently have been withdrawing from membership at a growing rate. As a result, Fed earnings may be weakened.

Chairman Burns is concerned that this loss of membership will weaken the soundness of our banking system and the Fed's ability to conduct monetary policy. Moreover, the negative bank earnings effects of introducing NOW accounts may accelerate the membership loss. Burns has proposed that the Fed be authorized to pay interest on member bank reserves to lessen this cost burden of membership.

We recognize his concern and support this proposal, provided that the net reduction in Fed earnings is moderate. (These earnings are paid to Treasury.) The Fed originally proposed high cost interest payment plans, and Treasury is still negotiating, but will not recommend to OMB a plan costing more than \$150 to 250 million in fiscal 1978. We believe something in the order of this amount would be lost in revenue through membership attrition if the present rate of loss in membership continues.

Opposition to this Fed proposal will reflect concern that large banks do not need this additional revenue, and that it should be primarily targeted to small banks. Indeed, Congress may require such targeting.

Proposal: That this legislation include authorization for the Federal Reserve to pay interest on its member bank reserves, not to exceed \$200-300 million of budget cost.

Approve: _____

Disapprove: _____

Comment: _____

C. A Two-Year Extension of Interest Rate Ceilings on Time Deposits

We recommend that this legislation also include a two-year extension of interest rate ceilings on savings deposits (Regulation Q) through December 1979. Regulation Q attempts to protect the flow of savings into savings institutions and, in turn, to ensure continued mortgage lending by those

institutions. Regulation Q ceilings are counterproductive -- they actually weaken savings flows and mortgage lending. Nevertheless, the savings/housing interests fear that eliminating the ceilings would weaken them even further. It is unrealistic, therefore, to seek their elimination without a sound housing finance alternative. A two-year extension should provide adequate time to prepare one.

Opposition to a two-year extension of Regulation Q will come from the savings industry which would prefer a longer extension. It also will come from certain commercial banks who, while supportive of the ceilings, want to eliminate the differential which now permits thrifts to pay higher interest rates on savings accounts than banks pay.

Proposal: An extension of interest rate control authority on savings accounts (Regulation Q) until December 1979. Over these two years, a special inter-agency group (HUD, Treasury and the financial regulators) will try to develop an alternative.

Approve: _____

Disapprove: _____

Comment: _____

Areas for Further Study in 1977

We recommend that the Administration undertake a major study of "redlining" -- credit discrimination against low income, inner city residents by lending institutions. Recent State-level studies have highlighted this problem and Congress will hold related hearings this year. We believe that it needs objective study, and the Urban and Regional Policy Task Force intends to undertake it.

In addition, Treasury will undertake studies and propose policies as required later this year in the following areas.

1. Electronic Funds Transfer and its impact on the banking system.
2. Regulation of U.S. bank lending to LDC's.
3. Limited expansion of lending powers for federal savings and loans.

THE WHITE HOUSE
WASHINGTON

This is the revised version of Blumenthal's memo
Hummer's distribution

ACTION
FYI

<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input checked="" type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
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<input type="checkbox"/>	WELLS
<input type="checkbox"/>	VOORDE

6/11 ~~EXP~~ by Fri per Olen
THE WHITE HOUSE
WASHINGTON

5/31
Hold -
Treas, Don't know how to think
on B & CEA, all should
MEMORANDUM NOT go to
President

Date: May 26, 1977

FOR ACTION:

Stu Eizenstat

FOR INFORMATION: The Vice President
Hamilton Jordan
Jody Powell

Orin 11/10/77 -
has not heard
of 10/10/77

Tilson - not enough info to make recommendations

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretart Blumenthal memo 5/25/77 re Financial
Institutions Reform.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 2:00 P.M.

DAY: Monday

DATE: May 30, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

check w/ SE -
comment forthcoming?

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required

THE WHITE HOUSE

WASHINGTON

June 6, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *SE*
ORIN KRAMER

SUBJECT: Blumenthal Memo on Financial Reform

I. Long-Term Administration Effort

On the basis of a review of all the alternatives with interested groups and the leadership of the respective Banking Committees, we believe Treasury's narrow package is the only practical choice at this time. But we believe that a broader financial reform package should be introduced in 1978 or 1979.

The present financial regulatory structure discriminates against small savers, reduces consumer services, prohibits competition and technological change and creates dislocations in the financial markets. It has generally driven financial institutions other than thrifts out of the mortgage lending business, and has so constrained thrifts that mortgage credit dries up during periods of high interest rates, thereby exacerbating the cyclical instability of the housing market and hurting the national economy. Probably the primary objective of banking reform, beyond broadened competition, is stabilizing and increasing the availability of mortgage credit.

Because this is a cross-cutting issue which affects several agencies and different constituencies--homeowners, bank depositors, homebuilders, labor, and the institutions themselves--we recommend that you authorize an interagency study of financial institutional reform to be chaired jointly by the Treasury Department and the regulatory reform working group, which would also include HUD and the banking regulatory agencies. The group would develop initiatives in the following areas:

1. Phase out Regulation Q. Regulation Q discriminates against small savers and reduces the flow of mortgage credit during periods of high interest rates.
2. Expand the investment and depository power of thrifts. If Reg. Q protection of thrifts is to be eliminated, thrifts must be given greater ability to compete with commercial banks.

3. Develop alternative mortgage instruments. The conventional fixed rate mortgage is inadequate in a world of high and variable interest rates, and should be supplemented by graduated payment mortgages, which will benefit young homeowners unable to meet high initial mortgage payments, and some form of variable rate mortgage.

4. Electronic fund transfers and branching regulations. Present restrictions severely limit competition and the utilization of new technology.

5. Review preferential tax treatment of thrifts.

6. Regulation of U.S. bank lending to LDC's and activities of foreign banks in U.S.

7. Review the banking regulatory structure. Proxmire and past commissions have pushed for consolidation, which becomes more appropriate as the various institutions are deregulated and become more competitive. The OMB reorganization project should be involved here.

OMB and CEA concur.

_____ Approve

_____ Disapprove

II. Presidential Message

If you agree, Treasury, OMB and the Domestic Council will prepare a short Presidential message outlining the benefits of Now accounts which would be submitted to Congress with this legislation.

_____ Approve

_____ Disapprove

THE WHITE HOUSE
WASHINGTON

*Furnished
Instantaneous
Report*

ACTION	FYI
<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	MOORE
<input checked="" type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON

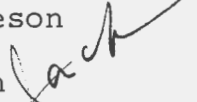
<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
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<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

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<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
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<input type="checkbox"/>	VOORDE

THE WHITE HOUSE
WASHINGTON

MEMORANDUM TO: Rich Hutcheson
FROM: Jack Watson 
RE: Financial Institutions Reform

This is the substitute memorandum on Financial Institutions Reform which I just spoke to you about on the telephone. Please pull the earlier memorandum and substitute this one for it. The technical errors in the earlier memorandum have been corrected.

June 1, 1977

Attachment



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

May 27, 1977

1977 MAY 27 PM 6 12

MEMORANDUM FOR THE HONORABLE JACK WATSON
SECRETARY TO THE CABINET

Subject: EPG Memo on Financial Institutions Reform

Earlier this week, EPG staff delivered to your office a memo to the President on Financial Institutions Reform which, I believe, is still undergoing staff work within the White House. That memo contained several technical errors. The attached is the same memo, cleansed of said errors. Could you see that the President receives the clean memo?

Curt A. Hessler
Executive Assistant to
the Secretary



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

ACTION

May 25, 1977

1977 MAY 25 PM 6 08

MEMORANDUM FOR THE PRESIDENT

FROM: W. Michael Blumenthal
Chairman, Economic Policy Group

Mike B.

SUBJECT: Financial Institutions Reform

Executive Summary

This memorandum sets forth unanimous EPG recommendations for various reforms of the regulatory regime governing the nation's financial institutions. Congress will hold hearings on this subject on June 20.

In brief, the memorandum asks your approval of the following new policies:

1. That the Administration endorse two principles of reform: a) a reduction in barriers to competition among financial institutions, and b) gradual elimination of Federal ceilings on deposit interest rates.
2. That the Administration this year propose selective measures, rather than an omnibus bill, to begin progress toward these reform principles.
3. That the Administration immediately introduce legislation permitting, nationwide, the payment of interest on household demand deposits.
4. That this legislation also authorize the Federal Reserve to pay interest on the reserves which its members must maintain.
5. That the Administration seek extension until December, 1979 of "Regulation Q" authority for controlling the interest rate paid on savings accounts.

Treasury developed this series of proposed 1977 policies for the Administration in the area of "financial institutions reform." Congress will hold hearings on this subject on June 20.

I. Broad Policy Goals

We recommend that the Administration endorse the two principles of (1) a reduction in the barriers to competition among our financial institutions and (2) the gradual elimination of Federal ceilings on deposit interest rates. Most federal regulation governing depository institutions originated in the 1930's to protect depositors and the soundness of financial institutions. Promoting competition was considered a lesser priority. In the intervening years, there have been numerous efforts to modernize these regulations, but most have failed.

Today, inefficiencies exist in our financial system as a result of artificial barriers to competition and outmoded regulations. Besides being costly to consumers, these barriers have also led to an increasing number of banks giving up their membership in the Federal Reserve System. This in turn has made the conduct of monetary policy by the Federal Reserve Board more difficult and over time may pose real hazards.

II. 1977 Strategy for Financial Institutions Reform

The previous Administration twice attempted, first in 1973 and then in 1975, to correct these weaknesses by introducing omnibus reform legislation. These bills proposed simultaneous reform in three major areas:

- (1) allowing institutions to pay interest on demand deposits;
- (2) phasing out interest rate ceilings on savings deposits; and
- (3) providing more diversified lending powers for savings institutions.

The complexity of these two bills resulted in their defeat. Several financial industry groups opposed these, particularly the savings/housing interests which feared any change in mortgage lending patterns.

Today, virtually no one favors another omnibus reform effort. Its prospects of passage would appear non-existent. The opposite interests of the groups affected, and the difficulty of mobilizing effective support from the major beneficiaries -- consumer/savers -- argue for a much more selective approach.

Proposal: That the Administration forego omnibus reform, and instead approach it selectively.

Approve: _____

Disapprove: _____

Comment: _____

III. Proposed 1977 Legislation

A. Paying Interest on Household Checking Accounts

We recommend that the Administration address only one of the three key controversial issues this year -- interest on demand deposits. Legislation in other, major areas can be introduced next year, or in 1979, if this year's effort succeeds.

The specific proposal would permit all depository institutions to offer interest earning accounts on which checks can be drawn. Such accounts -- now offered in New England -- generally are called NOW accounts. They would be offered to household customers under a uniform interest rate. The Federal Reserve favors this and the Senate Banking leadership also supports the concept.

There are two reasons to support this proposal. First, the legal ban against paying interest on checking accounts has eroded through innovation and eventually will erode completely. Federal legislation would permit a more orderly transition.

Second, NOW accounts will increase the efficiency of our financial system. Currently, checking account holders receive an implicit return via free or below cost services on their accounts. Allowing an explicit interest return

would give consumers the option of receiving payment in monetary rather than service form. It also will encourage depository institutions to price services closer to costs.

Smaller commercial banks will oppose this proposal, because paying interest on checking balances will lower their earnings, but savings banks and savings and loans will support it. Larger banks, generally facing more competition, already are providing sufficiently large implicit returns that their earnings will be less affected. To minimize this bank earnings problem, NOW accounts initially would be limited to households and would carry a low interest rate.

Proposal: That the Administration introduce legislation permitting nationwide NOW accounts.

Approve: _____

Disapprove: _____

Comment: _____

B. Reducing the Outflow of Banks from the Federal Reserve System

We further recommend that this legislation include authorization for the Federal Reserve to pay interest on the reserves which its members must maintain. The Fed imposes legal reserve requirements against deposit liabilities of its member banks. It determines specific reserve levels in relation to monetary policy needs.

Today, these member bank reserves must be held at the Fed in non-earning form. In contrast, non-member banks generally are permitted by their regulators to hold smaller amounts of reserves and to invest them in earning assets. This regulatory disparity means that it is costly for banks to remain members of the Fed System. For this reason, medium-sized and smaller banks recently have been withdrawing from membership at a growing rate. As a result, Fed earnings may be weakened.

Chairman Burns is concerned that this loss of membership will weaken the soundness of our banking system and the Fed's ability to conduct monetary policy. Moreover, the negative bank earnings effects of introducing NOW accounts may accelerate the membership loss. Burns has proposed that the Fed be authorized to pay interest on member bank reserves to lessen this cost burden of membership.

We recognize his concern and support this proposal, provided that the net reduction in Fed earnings is moderate. (These earnings are paid to Treasury.) The Fed originally proposed high cost interest payment plans, and Treasury is still negotiating, but will not recommend to OMB a plan costing more than \$150 to 250 million in fiscal 1978. We believe something in the order of this amount would be lost in revenue through membership attrition if the present rate of loss in membership continues.

Opposition to this Fed proposal will reflect concern that large banks do not need this additional revenue, and that it should be primarily targeted to small banks. Indeed, Congress may require such targeting.

Proposal: That this legislation include authorization for the Federal Reserve to pay interest on its member bank reserves, not to exceed \$200-300 million of budget cost.

Approve: _____

Disapprove: _____

Comment: _____

C. A Two-Year Extension of Interest Rate Ceilings on Time Deposits

We recommend that this legislation also include a two-year extension of interest rate ceilings on savings deposits (Regulation Q) through December 1979. Regulation Q was initiated in 1966 to protect the flow of savings into savings institutions and, in turn, to ensure continued mortgage lending by those institutions. Regulation Q ceilings are counterproductive -- they actually weaken savings flows and mortgage lending. Nevertheless, the savings/housing interests

fear that eliminating the ceilings would weaken them even further. It is unrealistic, therefore, to seek their elimination without a sound housing finance alternative. A two-year extension should provide adequate time to prepare one.

Opposition to a two-year extension of Regulation Q will come from the savings industry which would prefer a longer extension. It also will come from certain commercial banks who, while supportive of the ceilings, want to eliminate the differential which now permits thrifts to pay higher interest rates on savings accounts than banks pay.

Proposal: An extension of interest rate control authority on savings accounts (Regulation Q) until December 1979. Over these two years, a special inter-agency group (HUD, Treasury and the financial regulators) will try to develop an alternative.

Approve: _____

Disapprove: _____

Comment: _____

Areas for Further Study in 1977

We recommend that the Administration undertake a major study of "redlining" -- credit discrimination against low income, inner city residents by lending institutions. Recent State-level studies have highlighted this problem and Congress will hold related hearings this year. We believe that it needs objective study, and the Urban and Regional Policy Task Force intends to undertake it.

In addition, Treasury will undertake studies and propose policies as required later this year in the following areas.

1. Electronic Funds Transfer and its impact on the banking system.
2. Regulation of U.S. bank lending to LDC's.
3. Limited expansion of lending powers for federal savings and loans.

THE WHITE HOUSE
WASHINGTON

June 8, 1977

Frank Moore

The attached was returned in
the President's outbox and is
forwarded to you for your
information.

Rick Hutcheson

Re: Call to Congressman John Dent

my! 4-11-77

THE WHITE HOUSE
WASHINGTON

June 6, 1977

done
J

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *FM*
SUBJECT: Recommended Telephone Call

As you know, Congressman John Dent has been quite ill and has been away from the office for about three weeks now. He had cataract surgery and then developed an infection which necessitated a second operation. Congressman John Murtha telephoned today to say that Dent is recovering but that his spirits are low and that a call from you would do wonders toward getting him back to Washington. Ray Marshall has telephoned him several times to cheer him up.

Dent is the Chairman of the Subcommittee on Labor Standards which has jurisdiction over minimum wage, black lung, and other labor legislation.

Congressman Dent is at his home in Pennsylvania and can be reached at 412/238-2876.

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

June 8, 1977

Fran Voorhe -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Tim Kraft

Re: Presidential Visit to the
State of Arkansas

THE WHITE HOUSE
WASHINGTON

ACTION	FYI		
		MONDALE	ENROLLED BILL
		COSTANZA	AGENCY REPORT
		EIZENSTAT	CAB DECISION
		JORDAN	EXECUTIVE ORDER
		LIPSHUTZ	Comments due to
		MOORE	Carp/Huron within
		POWELL	48 hours; due to
		WATSON	Staff Secretary
			next day

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON	X	KRAFT
	BOURNE		LANCE
	BRZEZINSKI		LINDER
	BUTLER		MITCHELL
	CARP		POSTON
	H. CARTER		PRESS
	CLOUGH		B. RAINWATER
	FALLOWS		SCHLESINGER
	FIRST LADY		SCHNEIDERS
	GAMMILL		SCHULTZE
	HARDEN		SIEGEL
	HOYT		SMITH
	HUTCHESON		STRAUSS
	JAGODA		WELLS
	KING	X	VOORDE

THE PRESIDENT WAS SEEN.

1330 Massachusetts, N.W.
Washington, D.C.
June 7, 1977


*from -
a future
possibility
J*

President Jimmy Carter
The White House
Washington, D.C.

I respectfully submit for your consideration the attached
proposal for a presidential visit to the State of Arkansas.

I would be happy to work with members of your staff in
making the necessary arrangements.

Yours truly,


Lewis J. Johnson, Jr.

Attachment

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PROPOSAL

PRESIDENTIAL TRIP TO ARKANSAS:

EVENT: Arkansas/Oklahoma Agriculture Day TIME: At the pleasure of
the President

HOST: Farmers Coop of Arkansas and Oklahoma, Van Buren, Arkansas

LOCATION: Van Buren, Arkansas (Crawford County) Third Congressional District

ESTIMATION OF NUMBER OF PEOPLE: 10,000

JUSTIFICATION OF TRIP:

- (1) Arkansas, next to Georgia, produced the largest margin of victory for the President. The people of Arkansas are in great expectation of the first presidential visit.

JUSTIFICATION OF LOCATION AND HOST:

- (1) Farmers Coop of Arkansas and Oklahoma was one of the few active supporters of the President in the area of agriculture. Farmers Coop had submitted a proposal for a visit by the then Democratic candidate during the general election; however, a visit to the State Democratic Convention was held instead.
- (2) Van Buren, Arkansas is a bordertown with Oklahoma and this provides for the maximum local press coverage for two (2) states; Oklahoma and Arkansas.
- (3) Van Buren is a rural community located in the Third Congressional District of Arkansas presently represented by Congressman John Paul Hammerschmidt (Republican).
- (4) With three congressmen, a governor, an Attorney General and a Lt. Governor all jockeying for position for either the U.S. Senate race or the Governor's Office, a site such as Van Buren is highly feasible. Only Lt. Governor Joe Purcell actively and openly supported the President during the primary. Van Buren is only 30 miles from the hometown of Senator Bumpers and has always been one of the strongest areas of support for Senator McClellan.
- (5) Van Buren would offer the President an opportunity to strengthen his support in a here-to-fore Republican stronghold; speak to rural people, i.e., black, white, old, Indian participants and the State Democratic Party, The National Democratic Committee and the Arkansas Congressional Delegation.
- (6) A definite A-plus for the President.

12 Noon C

THE PRESIDENT HAS SEEN,

THE WHITE HOUSE

WASHINGTON

MEETING WITH THE
NATIONAL CYSTIC FIBROSIS POSTER CHILD

Wednesday, June 8, 1977
12:00 PM (5 minutes)
The Oval Office

FROM: MARGARET COSTANZA

MC

I. PURPOSE

To recognize and help focus national attention on the National Cystic Fibrosis Poster Child, Robbyn Foxx.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: The Cystic Fibrosis Foundation was the first, and for awhile, the only major national health agency with their headquarters in Atlanta, Georgia. The National Cystic Fibrosis Poster Child is brought to Washington, D. C. each year to be photographed with The President, The Cabinet and Members of Congress. In 1966, the Poster Child was from Georgia and through Senators Russell and Talmadge, the Poster Child was invited for the very first time to go to The White House and have pictures made with President Johnson.

Every year since 1966, the Cystic Fibrosis National Poster Child has been received by The President.

B. Participants: See Tab A

C. Press Plan: Pool Coverage

III. TALKING POINTS

1. General Courtesy.

2. The Cystic Fibrosis Foundation is a truly outstanding example of what the spirit of volunteerism can accomplish. Robbyn Foxx, the Poster Child, is an excellent representative of the children who suffer with cystic fibrosis, a disease affecting the digestive system and lungs. I commend the Cystic Fibrosis Foundation for its excellent record of service in helping people with disabilities to achieve greater independence and realize their full potential in life.

3. During the recent White House Conference on Handicapped Individuals we were called upon by the Cystic Fibrosis Foundation representative to the Conference from Washington to send an autographed photo and note of cheer from The President to a young patient hospitalized with Cystic Fibrosis in New York City. The photograph and note were immediately sent off to David Keegan, the young patient at Babies Hospital. I am proud of our quick response.
4. Robbyn dreams of becoming an Olympic gymnast and practices gymnastics faithfully, several times each week. She takes pride in her schoolwork, says "she wishes she had a teacher just like Gabe!" Gabriel Kaplan is the Cystic Fibrosis Foundation National Chairman.

On July 4 Robbyn will be leaving for Roumania, to accept an invitation to visit and work with Nadia Comaneci, the Olympic Gymnast and Gold Star winner. Robbyn will be accompanied by her coach.

Participants:

The President

Robbyn Foxx, age 9
National Cystic Fibrosis Poster Child

Travis Foxx, age 6
Brother of Robbyn Foxx

Mr. and Mrs. Ronald Foxx,
Parents of Robbyn

Doris Tulcin,
President of the Cystic Fibrosis Foundation

Gabriel Kaplan,
National Chairman for the Foundation

Ann Watson,
Director of Public Relations

Adam Kelly,
Photographer for the Cystic Fibrosis Foundation

Constance Graves,
Secretary to Ann C. Brewer, Area Director

Ann C. Brewer,
Area Director, Cystic Fibrosis Foundation

Margaret Costanza
Assistant to The President,
Office of Public Liaison

June 8, 1977

10:50 AM. C

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

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June 7, 1977

MEETING WITH POSTMASTER GENERAL BENJAMIN F. BAILAR AND POSTAL
SERVICE BOARD OF GOVERNOR'S CHAIRMAN M.A. (MIKE) WRIGHT
AND BOARD MEMBER ROBERT L. HARDESTY

Wednesday, June 8, 1977

10:50 a.m. (10 Minutes)

The Oval Office

From: Stu Eizenstat

Stu

I. PURPOSE

Postmaster General Bailar met with me in February and again in April to brief us on postal matters. The ten minute meeting that is scheduled for tomorrow is in response to his request to meet with you to give his personal assessment of postal problems and the solutions he believes merit your attention. On Friday of this week you will speak to members of the Magazine Publishers Association who will be concerned about the Administration's postal policies.

II. BACKGROUND

Mr. Bailar will only have time to focus on two issues: (1) your campaign pledge to have the Postmaster General (PMG) appointed by the President once again, and (2) the immediate need to seek a rate increase in postage.

- o The U.S. Postal Service (USPS) will begin to suffer losses in excess of \$220 million per month after the first of next year, and the Board of Governors of the USPS will have to agree on proposed rate increases at the next meeting of the Board in early July in order for the PMG to file the rate request with the Postal Rate Commission in a timely fashion.
- o The PMG has indicated that he will recommend that the Board file a "two-tiered" rate increase proposal for the first class postage. He believes that the Service will need a 16¢ first class stamp in order to maintain the present levels of service. If the Service is allowed by the Commission to eliminate Saturday delivery then he believes that he will only need a 15¢ first class stamp.

- o In addition, Mr. Bailar may raise the option of a new 12¢ "consumer" stamp for non-business use. Cost would be roughly \$400 million -- almost identical to the savings from eliminating Saturday delivery.
- o In speeches that PMG Bailar has given in the last two years he has stated repeatedly that the cost of a first class stamp will rise to 21¢ by 1981 and 28¢ by 1984 if the present levels of service are not reduced.

The present situation exists because the Postal Reorganization Act of 1970 (PRA) mandated that the traditional method of appropriating funds from the general treasury to supplement the amount of money taken in through the sale of postage and services should end.

Prior to the Postal Reorganization Act of 1970 (PRA), Congress never set rates high enough to equal operational expenditures. Under the Act,

- o Appropriations for postal services were to be "phased out" over time. Phasing will end in 1984 when all classes will be paying their own way except for Congressionally dictated "public services" which continue to receive appropriations to cover their expenses. Examples include reduced rates for veteran's magazines and free postage for the blind.
- o The USPS was established as an independent corporation run by a board of governors which was empowered to appoint the PMG. Employees were given the right of collective bargaining.
- o The Postal Rate Commission was created independently of the USPS and charged with acting upon the USPS rate requests by holding hearings on rates and classification (1st class, 2nd class, "special delivery", etc.).

Finally, note that under the present system first-class mailers pay more than the cost of handling first-class mail, subsidizing users of other classes of mail. This practice is under challenge in court, and may well be held a violation of the PRA.

III. RECOMMENDATION

Essentially the choices are between increases in postage rates, reductions in service, and increased Treasury subsidies. We recommend that you not commit yourself on these questions -- or on Presidential appointment of the PMG -- but ask Bailer to work with OMB and your staff in preparing policy recommendations.

THE PRESIDENT HAS SEEN.

UNITED STATES GOVERNMENT

memorandum

DATE:
REPLY TO: Benjamin R. Civiletti
ATTN OF: Assistant Attorney General
Criminal Division
SUBJECT: United States v. Leroy Barnes,
aka. "Nicky," et al., S-77-CR-190
(HFW)(SDNY)
TO: The Attorney General

DEPARTMENT OF JUSTICE
BRC:WSL:SLH:ajm
12-51-3002

To the President.
GBB
6/8/77

The above-styled case is set for trial on September 16, 1977. Defendant Leroy "Nicky" Barnes is charged in the subject indictment with one count of conspiracy to distribute heroin and cocaine, one count of conducting a continuing criminal enterprise, and four counts of distributing heroin. The current indictment is a superseding indictment returned on April 11, 1977, necessitated by the distribution of almost a kilo of heroin by Barnes and others on the evening of March 14, 1977, the same day the original sealed indictment was returned. Four firearms counts and one heroin distribution count were added to the original indictment bringing the number of counts to thirteen. *C*

Barnes and his co-defendants were successful in getting the original trial setting of June 6, 1977, set back to September 16, 1977, notwithstanding the Government's designation of Barnes and some of his co-defendants as high risks under the Speedy Trial Act. The 90-day rule lost its impact once most of the defendants achieved their release on bail or executed waivers of the 90-day speedy trial rule. The trial judge did, however, impose on Barnes daily, in-person, reporting requirements and personal sign-in requirements on Saturdays and Sundays.

The Government currently has three of its witnesses in the U. S. Marshals' Witness Services Program.

Preparation for trial continues and includes the securing of taxpayer return information from the Internal Revenue Service through the procedures set out under the Tax Reform Act of 1976. On April 14, 1977, the government obtained an ex-parte order pursuant to that Act for taxpayer return information of Mr. Barnes. We are advised that as of today a substantial amount of information has been delivered by IRS to the prosecutors, Assistant United States Attorneys in the Southern District of New York. The remainder is hoped for shortly.

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Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

OPTIONAL FORM NO. 10
(REV. 7-76)
GSA FPMR (41 CFR) 101-11.6
5010-112

COOP \bar{c} W. DEMOCRACIES = ~~N/S~~ ^{& JAPAN} =
ARMS LIMITS \rightarrow REDUCE \bar{c} SOVIETS :
NORMALIZE REL \bar{c} PSC =

CTB = ^{THE WHITE HOUSE}
(TREATIES) ^{WASHINGTON}

Foreign M/R
4-8-77

HUMAN RTS \rightarrow BELGRADE

NON PROLIFERATION

ARMS SALES

GLOBAL COMPETE \bar{c} USSR

CUBA

ARMS SALES = ~~AID~~ #1 - IRAQ 2) IRAN 3) PERU

AID = SYRIA - ALGERIA - TURKEY
2 1/2 BILL L. AMER

AFRICA - QUADRI PARTITE
+ SAUDIS

ZIMBABWE / NAMIBIA / S AFRICA

ETHIOPIA / SOMALIA / SUDAN

MOZAMBIQUE / ANGOLA / ALGERIA

MID EAST

SETTLEMENT NEEDED

RADICALIZATION - USER -

THE WHITE HOUSE
WASHINGTON

ACTION	FYI		
		MONDALE	<input type="checkbox"/> ENROLLED BILL
		COSTANZA	<input type="checkbox"/> AGENCY REPORT
	<input checked="" type="checkbox"/>	EIZENSTAT	<input type="checkbox"/> CAB DECISION
		JORDAN	<input type="checkbox"/> EXECUTIVE ORDER
		LIPSHUTZ	Comments due to
		MOORE	Carp/Huron within
		POWELL	48 hours; due to
		WATSON	Staff Secretary
			next day

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<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

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<input type="checkbox"/>	FIRST LADY	<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	GAMMILL	<input type="checkbox"/>	SCHULTZE
<input type="checkbox"/>	HARDEN	<input type="checkbox"/>	SIEGEL
<input type="checkbox"/>	HOYT	<input type="checkbox"/>	SMITH
<input type="checkbox"/>	HUTCHESON	<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	JAGODA	<input type="checkbox"/>	WELLS
<input type="checkbox"/>	KING	<input type="checkbox"/>	VOORDE

THE WHITE HOUSE
WASHINGTON

June 8, 1977

Stu Eizenstat -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Minimum Wage

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for Preservation Purposes

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 6, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: The Minimum Wage

Congressman Dent is back in the hospital and does not expect to return to his Congressional duties prior to June 15. After June 15 he will schedule markup as soon as he receives a signal from the White House as to what compromise, if any, we would find acceptable. His staff has indicated that he would very much like to avoid a confrontation on this issue.

You have already received Charlie Schultze's analysis of five potential options on the minimum wage, (Tab B) on which you commented to me "let's hold for a while." As you know Ray Marshall feels strongly that Charlie's estimates are high. Ray has prepared a memo (Tab A) with his own estimates which I feel constrained to pass on to you.

Their estimates vary considerably:

Options	Disemployment (000's)		Price Increase	
	Marshall	Schultze	Marshall	Schultze
\$2.50/50%	50	55-110	0.1%	0.3-0.6%
\$2.60*/52%	75	95-190	0.15%	0.5-1.0%
\$2.65*/53%	90	110-220	0.2%	0.6-1.1%
\$2.70/2.50	70	75-150	0.14	0.45-0.9%

*Schultze uses initial wage figures 5¢ higher than those in Marshall's estimates.

Beyond these differences of opinion over likely impacts I would make four points:

- 1) In economic terms, the incremental difference between 50-52-53% indexing is quite small. Using Schultze's low estimates for illustration, the difference between 50% and 53% is 55 thousand jobs and 0.3% increase in the price level. The statistical estimate of job loss is less than 6/100 of one percent of the U.S. labor

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-2-

force, and is probably not statistically significant. The price level change is less than half of last month's increase in consumer prices. I believe that the political factors involved in our final decision outweigh economic impacts of this magnitude.

- 2) Landon feels, and I agree, that the Coalition for a Fair Minimum Wage would be forced to accept any compromise you could reach with Chairman Dent. My suspicion is that if we stick to \$2.50 and 50% we will not be able to trim the final percentage lower than 51 or 52%. Given the small difference in likely outcomes, the question in my mind is whether we wish to be perceived as taking the lead toward a compromise or being forced to accept it. It is worth noting that the votes on this issue will unite the Administration and the Republicans against the more liberal Democrats. This will force very difficult choices on the moderate Democrats who will hold the decisive votes. Dent and the Democratic leadership would like to avoid this situation.
- 3) The split option mentioned by Schultze and Marshall is not acceptable to the AFL-CIO. However, Ray Marshall views it as a possible fall-back position and it is worth further exploring with Dent.
- 4) One approach to compromise might be to agree to 53% as the basic indexing figure, but to move toward this in a phased manner. (i.e., \$2.50 this July, followed by 51% in 1978, 52% in 1979, and 53% in 1980.) You could also make it clear that you will veto anything above 53%, that you believe that the tip credit revocation should be eliminated from the bill, and that you favor use of the full year of manufacturing wages as the computation base.

prob.
ok i.
final

A position such as this would minimize the inflationary impact. By sticking with the \$2.50 figure for this July you could minimize criticism that you had changed your position. And, since the 53% index would raise a four person family out of poverty by 1981, you could take credit for having responded to the criticisms of the poverty groups. As you recall, 53% is also the average level of the minimum wage for all the years in which Congress has acted, and for the Kennedy-Johnson years.

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

Forwarded to President
xc: Bert
Bill J.

May 27, 1977

MEMORANDUM FOR: THE HONORABLE STU EIZENSTAT
Assistant to the President for
Domestic Affairs and Policy

FROM: SECRETARY OF LABOR R.M.

Enclosed is the information that the President has requested regarding the proposed options on the minimum wage.

The papers compare four proposals:

1. Administration Position
2. Uniform National Minimum - \$2.60 with indexing at 52% of straight-time average hourly earnings in manufacturing
3. Uniform National Minimum - \$2.65 with indexing at 53% of straight-time average hourly earnings in manufacturing
4. Compromise Two-Tier Minimum - \$2.70 for pre-1966 coverage groups and \$2.50 for groups more recently covered (mostly retail trade, services, and farms)

Because of this passage of time it no longer appears feasible that Congress could act in time for a higher minimum to become effective July 1. Perhaps we should be thinking of a September 1 or October 1 effective date, which would ease possible adverse impacts.

Enclosures

OPTIONS ON MINIMUM WAGE POLICY

OPTION 1 - Administration Position

Increase the minimum wage to \$2.50 with subsequent annual increases indexed at 50 percent of straight-time average hourly earnings in manufacturing.

Pros: 1) The proposal will have very small adverse employment and inflation effects.

2) A \$2.50 minimum more than makes up for the increase in prices which has occurred since the \$2.00 minimum established in May 1974 and the \$2.30 minimum established in January 1976.

Cons: 1) The minimum wage rates resulting from this proposal will be below the long run (1961-1976) average ratio of the minimum wage to average hourly earnings.

2) The proposed \$2.50 minimum would yield annual earnings of \$5,200 for a full-time worker, substantially below the estimated poverty threshold level of \$6,064 for a nonfarm family of four.

3) A \$2.50 minimum does not make up for the increase in prices that has occurred since the \$1.60 minimum established in February 1968.

OPTION 2 - Uniform National Minimum - \$2.60 with indexing at 52 percent of straight-time average hourly earnings in manufacturing

Pros: 1) The minimum wage rates resulting from this proposal will be closer to the long run (1961-1976) average ratio of the minimum wage to average hourly earnings.

2) The proposed \$2.60 minimum would yield annual earnings of over \$5400, closer to the poverty threshold than the \$2.50 minimum proposed as Option 1.

Cons: 1) The increases proposed here could have a somewhat larger adverse impact, both on prices and employment, particularly in the "newly covered" industries (retail trade, services, and farms).

2) Any uniform national minimum wage rate will draw criticism that a lower minimum wage is necessary for youth due to their continuing high unemployment rates.

OPTION 3 - Uniform National Minimum - \$2.65 with indexing at 53 percent of straight-time average hourly earnings in manufacturing

Pros: 1) The minimum wage rates resulting from this proposal would be very close to (slightly below) the long run (1961-1976) average ratio of the minimum wage to average hourly earnings.

2) The proposed \$2.65 minimum would yield annual earnings of over \$5,500, closer to the poverty threshold for a family of four than either of the above options.

Cons: 1) The increases proposed here could have a somewhat larger adverse impact than those proposed under Options 1 and 2, both on prices and employment, particularly in the "newly covered" industries (retail trade, services, and farms).

2) Any uniform national minimum wage rate will draw criticism that a lower minimum wage is necessary for youth due to their continuing high unemployment rates.

OPTION 4 - Compromise Two-Tier Minimum

Increase the minimum to \$2.70 for pre-1966 coverage groups, and to \$2.50 for 1966 and 1974 coverage groups. Index the pre-1966 coverage minimum wage to 54 percent of straight-time average hourly earnings in manufacturing.

Pros: 1) This proposal defuses the criticism that a youth differential is needed since large numbers of youth work in the newly covered industries subject to the lower minimum.

2) This proposal would have smaller adverse employment and price effects than Options 2 and 3.

Cons: 1) Reestablishing a two-tier system would be contrary to the goal of uniform protection for all workers.

ECONOMIC EFFECTS OF ALTERNATIVE MINIMUM WAGE PROPOSALS

Employment Effects

Considerable controversy surrounds the question of employment effects of minimum wage legislation. Labor Department studies through the years have shown little, if any, disemployment effects from legislated increases beginning with 1950.

Econometric studies have shown mixed results. Recently, attention has focused on a 1976 study by Edward Gramlich, University of Michigan, which is utilized by the CEA as the basis for its estimates. Gramlich's study relates changes in the minimum wage to changes in employment for youth and adults. He finds no disemployment among adults but a slight disemployment effect among youth.

Utilizing the CEA estimates based on Gramlich, the following would be the estimated disemployment effect:

<u>Minimum Wage</u>	<u>Estimated Disemployment Effect</u>
\$2.50	50,000
\$2.60	75,000
\$2.65	90,000
\$2.70-2.50	70,000

These differences are minimal and are swamped by possible errors in survey data, reliability of assumptions, and other inherent difficulties with econometric studies.

Wage and Price Effects

The enclosed table provides comparative information on the wage and price effects of alternative minimum wage proposals.

Essentially, the figures show relatively little difference between the proposals, although the higher minimum wage rates naturally become translated into somewhat higher wage and price effects. The impact of the two-tier \$2.70-\$2.50 proposal is roughly equivalent to a uniform national minimum of \$2.60.

The figures indicate that an increase in the minimum wage to \$2.60, \$2.65, or to a \$2.70-\$2.50 two-tier proposal would mean at most a 0.1% additional increase in prices above that resulting from a \$2.50 minimum.

Estimated Impacts of Minimum
Wage Proposals for July 1977

<u>Proposal</u>	<u>Number Affected (Thousands)</u>	<u>Increase in Wage Bill (millions)</u>	<u>% Increase in Covered Wages</u>	<u>% increase in aggregate Wages & Salaries</u>	<u>Estimated % increase in prices*</u>
\$2.50	3,923	\$1,210	0.24%	0.13%	0.10%
\$2.60**	4,811	\$2,006	0.40%	0.21%	0.15%
\$2.65	5,353	\$2,497	0.50%	0.26%	0.20%
\$2.70-\$2.50	4,851	\$1,860	0.37%	0.20%	0.14%

*/ The price effects are estimated simply by relating the increase in the direct wage bill to the Gross National Product, assuming that all direct increases in wages are passed forward together with a markup that is roughly one-half the mark-up that would have occurred had the percentage increase in wages been passed fully forward.

**/ Impacts of a \$2.60 minimum were estimated by interpolating between ESA estimates for \$2.50 and \$2.65.

Charles Schultz's

Table 1

Employment and Price Effects of Alternative Minimum Wage Proposals

	Increase in price level (percent)	Decrease in employment (thousands)
Option 1: Administration proposal \$2.50 indexed at 50%	0.3 - 0.6	-55 to -110
Option 2: \$2.60 now; subsequently indexed at 51%	0.4 - 0.8	-80 to 160
Option 3: \$2.65 now, subsequently indexed at 52%	0.5 - 1.0	-95 to -190
Option 4: \$2.70 now, subsequently indexed at 53%	0.6 - 1.1	-110 to -220
Option 5: "Split option" - trade, agricultural services, and domestic set at \$2.50 (50%); others at \$2.70 (53%)	0.45 - 0.9	-75 to -150 ^{1/}

^{1/} These estimates may be high.

THE WHITE HOUSE
WASHINGTON

June 7, 1977

The Vice President
Hamilton Jordan
Frank Moore
Jack Watson
Tim Kraft
Bert Lance
Charlie Schultze

The attached is forwarded to you
for your information.

Rick Hutcheson

Re: The Minimum Wage.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

Electrostatic Copy Made
for Preservation Purposes

June 8, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: TIM KRAFT/JODY POWELL *JK*
SUBJECT: Advance Work for Presidential Travel *JJP*

Hugh Carter has shared with us your comments about the amount of advance and press advance work done in connection with your trips, as reflected in his staff travel report for May.

An initial problem is that much of the information in the report is either incomplete or incorrect. For example, the press advance person for Cape Canaveral did not travel commercially as stated; stayed in Florida four and a half days, not nine; also supervised press arrangements for St. Simons and Plains on the same trip, which was not noted. Our offices are working with Hugh to assure that more accurate travel information is available in the future.

Aside from the problem of inaccurate reports which can be resolved fairly easily at the staff level, we also feel you should have a brief explanation of what the advance and press advance people do, and why it may take one (or more) of them up to a week to prepare properly for a Presidential trip.

Typically, a lead advance person performs the following functions: recruits local volunteers (drivers, telephoners, etc.) and opens advance office; makes courtesy calls to local Democrats, early Carter supporters, etc. and invites airport greeting groups; prepares final schedule (frequently including numerous changes); organizes welcoming crowds where indicated (in Fresno, 40,000 phone calls were made and 250,000 leaflets were distributed); coordinates schedule and logistical arrangements with Secret Service, WHCA, Transportation Office, Press Office, Military Office, and others

as needed; deals with local political requests and problems; works with state and local officials to determine their participation in schedule; assigns volunteers for staff and press escort duties; supervises motorcade formation and assignments; anticipates logistical problems and devises contingency plans (e.g., rain plan); provides information for trip-book; organizes "countdown meeting" for all support offices and key local volunteers; directs follow-up activities (dismantling of staff offices, return of cars, thank-you letters.)

The press advance person: arranges local press and pool credentialling; prepares a press "bible" (annotated schedule); supervises location (and often construction) of press pens, platform, filing and "mult" facilities, etc.; plans pool and general press corps movements; recruits local press assistants; coordinates with lead advance, WHCA, Transportation, Secret Service press advance agent; negotiates disagreements re press arrangements; supervises obtaining of press vehicles and drivers for motorcades; performs general follow-up activities similar to those of lead advance.

It is also important to note that a large part of the advance person's job is to solve problems on the scene before you get there so that you never realize they existed. (Ironically, therefore, the better they do, the less you know about it.) These problems, however, can be difficult and time-consuming.

For example, several problems of this type at the UAW Convention in Los Angeles existed: (1) the UAW would not permit an adequate camera platform on the convention floor which as a practical matter would have precluded any decent coverage of your speech; (2) Leonard Woodcock refused to allow Congressman Waxman, who accompanied you to California on Air Force One, to sit on the dais because of a personal disagreement between them; and (3) NABET (the union for mini-cam technicians) threatened the night before the event to put a picket line around the Convention Center. Each of the above was ultimately solved effectively and without hard feelings, but at a considerable cost in man-hours.

We apologize for adding to your in-box with an explanation of this length. We both feel strongly, however, that it is critical to continued successful Presidential travel--both in terms of smoothness of execution and favorable media reception -- to allow for adequate and thorough advancework.

You may also find it relevant that in both the advance and press advance categories, we are operating with approximately half the personnel used in the last administration.

However, we do not at this point know the potential reaction of Congressman Dent and the Congressional moderates, or of the AFL to this approach.

If you wish, together with Ham and Frank, I will explore with Secretary Blumenthal, Charles Schultze and Bert Lance their views on what kind of compromise, if any, they might find acceptable. I recommend that before you adopt any compromise that Frank Moore explore the issue fully with Dent and other Congressional leaders.

} ok

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

June 8, 1977

Hamilton Jordan -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Recommendations from
Lewis J. Johnson Jr.

THE WHITE HOUSE
WASHINGTON

ACTION	FYI		
		MONDALE	ENROLLED BILL
		COSTANZA	AGENCY REPORT
		EIZENSTAT	CAB DECISION
X		JORDAN	EXECUTIVE ORDER
		LIPSHUTZ	Comments due to
		MOORE	Carp/Huron within
		POWELL	48 hours; due to
		WATSON	Staff Secretary
			next day

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON		KRAFT
	BOURNE		LANCE
	BRZEZINSKI		LINDER
	BUTLER		MITCHELL
	CARP		POSTON
	H. CARTER		PRESS
	CLOUGH		B. RAINWATER
	FALLOWS		SCHLESINGER
	FIRST LADY		SCHNEIDERS
	GAMMILL		SCHULTZE
	HARDEN		SIEGEL
	HOYT		SMITH
	HUTCHESON		STRAUSS
	JAGODA		WELLS
	KING		VOORDE

June 7, 1977

Mr. President:

For your consideration:

Mr. Norman Brooks
Editor of Arkansas Union Labor Bulletin
Little Rock, Arkansas

Regional Director, Federal Mediation and
Conciliation Service

Respectfully,


Lewis J. Johnson, Jr.

June 7, 1977

Mr. President:

For your consideration:

County Judge Walter Kaylor
Van Buren, Arkansas
(Consideration as State Director of Farmers
Home Administration). Has approval of the
Arkansas Congressional Delegation. Active in
your campaign and well qualified with a
agriculture background. His name has been
Submitted to the Department of Agriculture.

Respectfully,


Lewis J. Johnson, Jr.

June 7, 1977

*Ham -
Red & Jim were
among best / earliest
supporters in U.S.
let me know what
we can do
J*

Mr. President:

I submit for your consideration-

- (1) ALTERNATE, FEDERAL CO-CHAIRMAN, OZARKS
REGIONAL COMMISSION (Department of Commerce)
- (2) ADMINISTRATOR, RURAL DEVELOPMENT SERVICES,
(Department of Agriculture)
- (3) DEPUTY ASSOCIATE DIRECTOR FOR OLDER VOLUNTEER
PROGRAMS (ACTION)
- (4) DEPUTY DIRECTOR, BUREAU OF INTERNATIONAL
COMMERCE (Department of Commerce)

Respectfully,

Lewis J. Johnson, Jr.

1330 Massachusetts Ave., N.W.
Washington, D.C. 20005
(202) 347-1405

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for Preservation Purposes**

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

130 PM

②

MEETING WITH INTELLIGENCE OVERSIGHT BOARD

Wednesday, June 8, 1977

1:30 p.m. (30 minutes)

The Oval Office

From: Robert J. Lipshutz

RL

I. PURPOSE

To meet with the three members you have selected to serve on the Intelligence Oversight Board, along with the Vice President and myself. This initial meeting with the new Board will give you the opportunity to outline your ideas about the importance, purpose, and operation of the Board, and at the same time receive any suggestions which the members might have.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background:

You have abolished the President's Foreign Intelligence Advisory Board.

Full responsibility within the Executive Office of the President for oversight of Intelligence operations is in the Intelligence Oversight Board. The Board's obligations, as established by Executive Order, are:

1. To receive and consider reports by Inspector Generals and General Counsels of Intelligence Community agencies concerning activities that raise questions of legality or propriety, and also to receive and consider such reports from individuals on a confidential basis.
2. To review the practices and procedures of Inspector Generals and General Counsels designed to discover activities that raise questions of legality or propriety.
3. To review and analyze allegations of such abuses by Intelligence Community agencies.

4. To report in a timely manner to the Attorney General and to the President any activities that raise serious questions about legality; and to report similarly to the President any activities that raise questions of impropriety.

To this extent, the IOB thus monitors the execution of our Intelligence operations. The Executive Order which established the IOB makes it responsible to the President, who is ultimately accountable for Intelligence activities.

B. Participants:

1. Thomas Farmer, Chairman-Designate -- a Washington, D. C., attorney.
2. Governor William Scranton, Member-Designate -- currently a Scranton, Pennsylvania, businessman.
3. Senator Albert Gore, Member-Designate -- currently President, Island Creek Coal Company.
4. Vice President Mondale.
5. Bob Lipshutz

C. Press Plan:

Press photo opportunity.

III. TALKING POINTS

1. Access to you. If the IOB is to function effectively and to have credibility in the eyes of the Intelligence community and the public, you and the Board must create the impression that Board members have access to you, so that its members may immediately report possible illegal or improper activities.
2. Public access to the IOB members is important. The IOB members must create impression of their availability and accessibility to the general public and to all members of the Intelligence community in addition to the General Counsels and Inspector Generals.

3. Presently, the IOB staff consists of an Executive Director (attorney) and one secretary. Obviously, this does not allow for any serious investigating by the Board or its staff. If such activities are to be undertaken, the staff must be increased. You should discuss the mission you want the IOB to perform for you.

The Board members will urge some increase in personnel, probably one additional professional and one additional secretary. For the time being, I recommend the additional secretary, if for no other reason than that the administrative support previously given by PFIAB now has been eliminated.

4. The Board members may raise the question of expanding the capacity of the Board to initiate and/or increase its own investigations. This obviously would require more staffing. I recommend deferring a decision on this.
5. The Board may raise the question of amending the Executive Order to delete the automatic requirement of reporting all serious questions of legality to the Attorney General. I believe the Justice Department would object to such a change. I recommend deferring a decision on this.
6. Tom Farmer has a little bit of concern about some indications that the Intelligence agencies in the past have felt that their General Counsel or Inspector General was required to report a matter only if they themselves clearly recognized an illegality or impropriety, and felt that a matter should not be reported or handled by the Intelligence Oversight Board if the information came from other sources. I do not think this is the intent of the Executive Order and therefore recommend that you assure the members of the IOB that it should review matters which are referred to them, regardless of the source of reference, and regardless of the interpretation of the affected agency or department as to illegality or impropriety.
7. President Ford apparently did not report back to the Intelligence Oversight Board actions taken by him relative to matters reported to him. The members of the Board feel that it would be extremely valuable to them to learn from you what actions were taken after they had made their reports. As a general rule, I see no reason not to do so and recommend that you indicate your willingness to do so in most cases.

8. Some of the members of the Board probably will bring up the question of your attitude concerning reporting its findings to the Senate Intelligence Committee. The current Senate resolutions, plus statements by both Admiral Turner and his Deputy made at confirmation hearings, would require that such Intelligence Oversight Board reports be sent to the Senate Committee within 30 days after being referred to you, except in those cases where you personally determine that such information should be withheld; in those cases you would be required only to advise the Senate Committee the number of items which you had withheld from them. I believe that some expression of your general attitude relative to the relationship with the Congressional Committee would be advisable. This of course is all tied in with the current discussions about the future organization of the Intelligence Community and its relationship with the Congress.

THE WHITE HOUSE
WASHINGTON

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Press photo opportunity.

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56/877

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 8, 1977

SIGNATURE

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance

BR

SUBJECT: Proposed Fiscal Year 1978 Budget Amendment for ACTION
and the Department of Defense-Civil

Attached for your signature are two requests for \$10 million budget amendments for the Army Corps of Engineers and for the Peace Corps program in ACTION.

- The request for a fiscal year 1978 budget amendment of \$10 million for the Corps of Engineers is a result of your recent decision to test certain rehabilitation techniques at Locks and Dam 26 on the Mississippi River at Alton, Illinois, prior to recommending either a new facility or rehabilitation of the existing one. The total cost of the test program will be \$13 million. \$1 million will be spent in fiscal year 1977 from existing funds and the \$2 million balance will be included in the fiscal year 1979 budget. This request will result in an increase in outlays in fiscal year 1978 of \$10 million.
- The request for the Peace Corps will support an additional 1880 Peace Corps trainees and 519 additional volunteers in fiscal year 1978. This proposal will be in addition to the \$6.8 million increase proposed in your February budget revision. This proposal is part of a program to re-vitalize the Peace Corps. The Agency originally requested \$20 million to support an additional 2250 trainees and 850 additional volunteers. Discussions among the Vice President, Sam Brown, Director of ACTION, and the Director of the Office of Management and Budget resulted in a decision to recommend approval of a \$10 million request. The support of these additional trainees and volunteers will require an additional \$13.4 million in fiscal year 1979. This proposal will result in additional outlays of \$8.5 million in fiscal year 1978 and \$1.0 million in fiscal year 1979.

Recommendation

That you sign the letter transmitting these requests to the Congress.

Original to Bob Lindu

THE WHITE HOUSE

WASHINGTON

The Speaker of the
House of Representatives

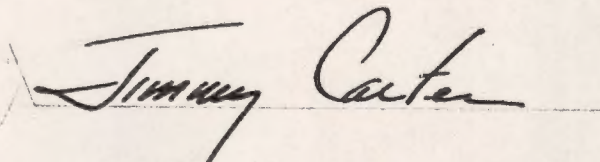
Sir:

I ask the Congress to consider amendments to the request for fiscal year 1978 appropriations in the amount of \$10,000,000 for the Department of Defense-Civil and in the amount of \$10,000,000 for ACTION.

The details of these proposals are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

Enclosure

A handwritten signature in dark ink, reading "Jimmy Carter", is written over a horizontal line. The signature is fluid and cursive, with the first name "Jimmy" and last name "Carter" clearly legible.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

The President

The White House

Sir:

I have the honor to submit for your consideration amendments to the request for appropriations transmitted in the budget for the fiscal year 1978, in the amount of \$10,000,000 for the Department of Defense - Civil and in the amount of \$10,000,000 for ACTION. The details of these proposals are contained in the enclosure to this letter.

I have carefully reviewed the proposals contained in this document and am satisfied that these requests are proper at this time. I recommend, therefore, that these proposals be transmitted to the Congress.

Respectfully,

A handwritten signature in dark ink, appearing to be "D. R. C.", is written over the word "Respectfully,".

Enclosure

DEPARTMENT OF DEFENSE-CIVIL

CORPS OF ENGINEERS-CIVIL

1978 budget appendix page	Heading	1978 budget request	1978 amendment	1978 revised request
293	Operation and maintenance, general	\$750,900,000	\$10,000,000	\$760,900,000

This amended budget request provides funds to finance the fiscal year 1978 portion of the field investigations and tests on Locks and Dam 26 at Alton, Illinois, prior to determining if a new facility will be needed or if the existing facility can be rehabilitated. This action was recommended by Administration witnesses in testimony before the Senate Committee on Public Works and Environment on May 2, 1977. This amendment will increase budget outlays by \$10,000,000 in fiscal year 1978.

OTHER INDEPENDENT AGENCIES

ACTION

1978 budget appendix page	Heading	1978 budget request	1978 amendment pending (H.Doc. 95-93)	1978 amendment	1978 revised request
691	Operating Expenses, International Programs (Peace Corps)	\$68,000,000	\$6,800,000	\$10,000,000	\$84,800,00

This request provides the additional funds necessary to allow the Peace Corps to recruit an additional 1,800 trainees and support an additional 519 volunteers in fiscal year 1978. The funds will also provide a base for a higher volunteer level in fiscal year 1979. This proposal will increase fiscal year 1978 outlays by \$8,501,000 and fiscal year 1979 outlays by \$1,009,000.



OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

June 8, 1977

MEMORANDUM FOR RICK HUTCHESON

SUBJECT: Forms for General Officer Actions

Rick,

We have taken several steps to improve and standardize the paperwork from the Secretary of Defense to the President covering general officer actions. Specifically:

- We have discontinued the practice of putting approval lines on memoranda except in those rare cases when it is clearly essential. Transmittal of the nomination to the Senate suffices to indicate approval of the proposed action.

- Format is being standardized among the military departments and content expanded to provide a more complete explanation of each action. We shall include, where possible, each of the following elements:

1. A discussion of whether the billet has been previously authorized, and whether a corresponding position in another service is being abolished.
2. Information regarding the officer's current assignment; the one for which he is being recommended; the name of the officer he is replacing; and available information on the latter officer's proposed reassignment.
3. A statement that the action will not result in the Service involved exceeding the number of such positions authorized by law.

I hope that these changes will help save time for you and the President, and I welcome any additional suggestions you may have which this Department might adopt to facilitate handling papers going to the President.

Joe
John G. Kester
The Special Assistant

cc: Herb Upton



MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 7, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *LB 6/8/77*
SUBJECT: Attendance at Wednesday's Congressional
Briefing on Foreign Policy

Here is a list of those members of Congress who will be attending
Wednesday's foreign policy briefing:

Senate

Howard H. Baker, Jr.
Joseph R. Biden, Jr.
Robert C. Byrd
Clifford P. Case
Frank Church
Dick Clark
Carl T. Curtis
John Glenn
Robert P. Griffin
Hubert H. Humphrey
Daniel K. Inouye
Henry M. Jackson
Jacob K. Javits
George S. McGovern
Sam Nunn
James B. Pearson
Claiborne Pell
Charles H. Percy
Paul S. Sarbanes
John Sparkman
John C. Stennis
Ted Stevens
John Tower

House of Representatives

John Anderson
John Brademas
William Broomfield
John Buchanan
Elford Cederberg
Charles Diggs
Dante Fascell
Thomas Foley
Lee Hamilton
Clarence Long
George Mahon
Robert Michel
Thomas P. O'Neill, Jr.
Henry Reuss
John Rhodes
Dan Rostenkowski
William J. Stanton
Charles Whalen
Lester Wolff
Jim Wright
C.W. "Bill" Young
Clement Zablocki

X Original Returned to ZB.

THE WHITE HOUSE
WASHINGTON

June 8, 1977

Fran Voorhe
Rick Hutto

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Mrs. Carter

Re: Note from Mrs. Truman

THE WHITE HOUSE
WASHINGTON

cc Rich Hutto

ACTION
FYI

	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
X	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
X	VOORDE

THE WHITE HOUSE
WASHINGTON

6/7/77

Mr. President -

Attached is the Ike Skelton
letter re presentation of the
letter from Mrs. Truman which
you requested. Also attached
is the file of previous corres-
pondence on this matter between
Jane Fenderson and Sen. Eagleton.

A handwritten signature in cursive script, appearing to read "K. Baker".

K. Baker
Congressional Corresp.

9
IKE SKELTON
4TH DISTRICT, MISSOURI

1404 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-2876

Congress of the United States

House of Representatives

Washington, D.C. 20515

June 2, 1977

Rich (Hutto)
- 4 JUN 1977 (call + ck. date)

Frank or
Rich
sk
J

Scheduling

FM

THE PRESIDENT HAS SEEN.

President Jimmy Carter
1600 Pennsylvania
Washington, D. C. 20500

Dear President Carter:

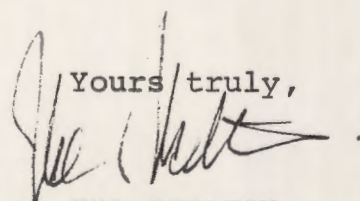
A group of my constituents from Independence, Missouri, with Thomas G. Melton, Pastor of the First United Presbyterian Church as their leader, are coming to Washington. This group has a letter written by Mrs. Harry S. Truman to Mrs. Carter which they would like to hand deliver.

The group will be visiting The White House on July 12th. They know that Mrs. Carter will not be in Washington at that time. I realize the heavy demands upon your family but would it be at all possible for one of the other members to represent Mrs. Carter and accept the greeting from Mrs. Truman. I feel sure that since Mrs. Truman is a former First Lady every effort will be made to meet this request.

Thank you so much for your assistance in this matter. I will look forward to hearing from you as soon as it is convenient.

Best regards,

Yours truly,



IKE SKELTON
Member of Congress

IS:wc

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for Preservation Purposes